

Financial information on Zeiss

Group structure

1. Zeiss is a wholly-owned subsidiary of Zeiss Stiftung, a German foundation the administration of which is domiciled in Stuttgart. The business of Zeiss Stiftung dates from 1846 when Carl Zeiss set up a workshop in Jena for precision mechanics and optics. Following the death of Carl Zeiss, his partner in the business established Zeiss Stiftung, which became the owner of the Zeiss works. Following World War II the business was split in two, with Zeiss Stiftung relocating to Heidenheim in West Germany and the factories in the German Democratic Republic becoming state-owned. Following political changes in the German Democratic Republic, the businesses in the two countries announced in 1990 their intention to combine under the umbrella of Zeiss Stiftung with legal domiciles in both Jena and Heidenheim, and the process was completed in 1995.
2. Zeiss Stiftung operates as two independent groups of enterprises, Zeiss Group and Schott Glas Group. Each group of enterprises conducts the activities of Zeiss Stiftung under its own name and with its own assets.¹ Zeiss Group, of which Zeiss forms part, has six main business groups—semiconductor technology, medical systems, consumer optics, microscopy, industrial metrology and opto-electronic systems. Products of Zeiss Group include instrument systems used for diagnosis and therapy in ophthalmology, eyeglass lenses, microscopes for medical research, high-precision measuring technology for the automotive and mechanical engineering industries, and optical systems for the high-volume production of microchips. For the year to 30 September 2003 Zeiss Group reported a pre-tax profit of €52 million (2001/02 €150 million) on turnover of €2,029 million (2001/02 €2,257 million). At the balance sheet date the global workforce was 14,151, including 4,044 employees outside Germany.
3. The formal corporate structure within Zeiss Group does not follow the business structure. The only business group of Zeiss Group which is relevant to the proposed transaction is microscopy, which is split into three business areas: advanced microscopy, light microscopy and molecular medicine. The advanced microscopy business is owned by Zeiss; the light microscopy business, which supplies wide-field microscopes for use in assemblies sold by the advanced microscopy business, is owned by another subsidiary of Zeiss Stiftung based in Göttingen. Zeiss also acts as a distribution agent for laser microdissection products (used to prepare specimens) produced by a German company, P.A.L.M. Microlaser Technologies AG.
4. Within the UK, sales for the advanced microscopy business are carried out on behalf of Zeiss by Zeiss UK, which also distributes other Zeiss Group optical products. In the year to 30 September 2003 the turnover of Zeiss UK was £39.0 million (2001/02 £41.6 million) and its operating profit was £3.2 million (2001/02 £4.0 million). Zeiss proposes to use a dormant subsidiary, Carl Zeiss Cellscience Ltd (formerly a subsidiary of Zeiss UK), as the main vehicle for the proposed acquisition of the Cell Science division of Bio-Rad.

¹Zeiss Group has informed us that potential arrangements are in hand whereby the two constituent enterprises of Zeiss Stiftung—Zeiss Group and Schott Glas Group may be incorporated as Aktiengesellschafts.

Operating results of the advanced microscopy business of Zeiss

5. A summary of the operating results of the advanced microscopy business of Zeiss for the five years to 30 September 2003 is shown in Table 1.

TABLE 1 Zeiss, advanced microscopy business: summarized results, 1998/99 to 2002/03

	Years ended 30 September					2003
	1999	2000	2001	2002	2003	
Turnover						
Cost of sales						
Gross profit						
Development costs†						
Distribution costs						
Administration costs						
Other items						
Operating result						
<i>Ratios:</i>						
Gross profit‡						
Operating result§						

Source: Zeiss management accounts.

*Conversions of the 2002/03 results made from € to £ at the rate on 9 March 2004 of €1:£0.675.

†Development costs include the cost of patent applications. [X]

‡Gross profit divided by turnover.

§Operating result divided by turnover.

6. [X]

7. [X] Table 2 shows a breakdown of turnover and operating result by country/region for the three years to 30 September 2003.

TABLE 2 Zeiss, advanced microscopy business: breakdown of turnover and operating result by territory

	€ million						£ million*	
	Turnover			Operating result			Turnover	Operating result
	2000/01	2001/02	2002/03	2000/01	2001/02	2002/03	2002/03	2002/03
Germany								
UK								
Rest of Europe								
North America								
Rest of America								
Japan								
Rest of Asia								
Rest of world								
Adjustments								

Source: Zeiss management accounts.

*Conversions of the 2002/03 turnover and operating profit made from € to £ at the rate on 9 March 2004 of €1:£0.675.

8. [X]

9. Table 3 shows prices for confocal and multiphoton models. It is based on data from Zeiss and shows average sale prices for confocal and multiphoton models. The

prices for multiphoton systems exclude the price of the pulsed laser (which we understand can cost between €100,000 and €200,000). Table 3 shows that the price paid for multiphoton systems from Zeiss is higher on average than the price paid for confocal systems.

TABLE 3 **Average sale prices for confocal, MPR and multiphoton systems**

	<i>Zeiss</i>		
	<i>Average</i>	<i>Std dev</i>	<i>Obs</i>
Confocal MPR Multiphoton*	[✂]		

Source: Zeiss, CC calculations.

*Multiphoton prices do not include the price of the laser.

Estimates of damages and costs in the US patent litigation

10. [✂]